

**DENHAM SPRINGS/LIVINGSTON HOUSING  
AND MORTGAGE FINANCE AUTHORITY**

**DECEMBER 31, 2008**

**DENHPAM SPRINGS, LOUISIANA**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

7/22/09

## CONTENTS

Independent Auditor's Report.....	Page 1 - 2
Management's Discussion and Analysis.....	3 - 7
Balance Sheet.....	8
Statement of Revenues, Expenses and Changes in Net Assets.....	9
Statement of Cash Flows.....	10 - 11
Notes to Financial Statements .....	12 - 20
Supplementary Information:	
Schedule of Assets, Liabilities, and Net Assets by Program (Schedule 1).....	21
Schedule of Revenues, Expenses and Changes in Net Assets by Program (Schedule 2).....	22
Schedule of Cash Flows by Program (Schedule 3).....	23 - 24
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	25 - 26



2322 Tremont Drive • Baton Rouge, LA 70809  
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726  
Phone: 225.928.4770 • Fax: 225.926.0945  
www.htbcpa.com

May 19, 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denham Springs/Livingston Housing and  
Mortgage Finance Authority

We have audited the accompanying financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2008, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated May 19, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedule 1, Schedule 2 and Schedule 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*Hannu J. Bourgeois, CPA*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Denham Springs / Livingston Housing & Mortgage Finance Authority's (the "Authority") financial performance presents a narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Authority's financial statements, which begin on page 8.

### FINANCIAL HIGHLIGHTS

- During 2008, low mortgage loan interest rates continued to cause a significant amount of the Authority's mortgage loans to first time home buyers to be prepaid. Prepayments from mortgage loans (as the underlying collateral for the Mortgage Backed Securities) are used to retire bonds prior to their maturity. Fewer assets results in lower mortgage related interest income and fewer bonds results in lower bond interest expense. However, in 2008 the Authority continued to add to the mortgage related assets (thereby increasing interest income) in connection with the Authority's issuance of \$14.375 million April, 2007 bond issue and mortgage lending program.
- Total Assets decreased by \$422,133 primarily due to mortgage asset related principal paydown exceeding the addition of new mortgage related assets from the Authority's 2007 mortgage lending program which began in April, 2007. Total Liabilities decreased \$681,407 primarily due to the \$672,819 reduction in Bonds Payable.
- The Authority's assets exceeded its liabilities at the close of fiscal year 2008 by \$4,432,099, which represents a \$259,274 increase from 2007. The increase was caused primarily by the net unrealized gains on investments at December 31, 2008 of \$92,942 and an increase of \$179,517 in interest earnings on Mortgage Related Assets and other investments.
- The Authority's gross revenue (exclusive of the "Net Realized and Unrealized Gains / Losses on Investments") increased \$112,272 over 2007 due primarily to the increase of interest earned on investments which include the Mortgage Backed Securities (the "MBS's") acquired in connection with and as collateral for the Authority's 2007 mortgage revenue bonds.
- There was a \$463,714 increase in the change in net assets from the prior year due primarily to the increase the fair value of investments in 2008 compared to 2007. Net Income was \$166,332 in 2008 as compared to a Net Income of \$265,252 in 2007 (excluding the effect of realized gains and losses and the changes in the fair value of investments), a decrease of \$98,920.

## OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and the supplemental information.

### Basic Financial Statements

The basic financial statements include information on a combined basis for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet presents the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Authority is improving or deteriorating. Schedules of Assets, Liabilities and Net Assets by Program is on page 21.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed as a result of the current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. Schedules of Revenues, Expenses and Changes in Net Assets by Program is on page 22.

The Statement of Cash Flows presents information showing how the Authority's cash changed as a result of the current year's operations. The cash flow statement is prepared using the direct method and includes the reconciliation of net income (loss) to net cash provided by (used in) operating activities (indirect method) as required by Statement No. 34 of the Governmental Accounting Standards Board. Schedules of Cash Flow by Program is on pages 23 and 24.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Denham Springs/Livingston Housing and Mortgage Finance Authority Statement of Net Assets as of December 31, 2008 and 2007

	2008	2007	Increase (Decrease)
Cash & Cash Equivalents	\$ 821,115	\$ 771,007	\$ 50,108
Guaranteed Investment Contracts and Investments	17,665,363	18,161,371	(496,008)
Other Assets	1,271,952	1,248,185	23,767
 Total Assets	 19,758,430	 20,180,563	 (422,133)
 Other Liabilities	 208,168	 216,756	 (8,588)
Long-Term Debt Outstanding	15,118,163	15,790,982	(672,819)
 Total Liabilities	 15,326,331	 16,007,738	 (681,407)
 Net Assets:			
Restricted	304,068	277,553	26,515
Unrestricted	4,128,031	3,895,272	232,759
 Total Net Assets	 <u>\$ 4,432,099</u>	 <u>\$ 4,172,825</u>	 <u>\$ 259,274</u>

Restricted net assets represent those net assets that are not available for general use due to the terms of the various bond trust indentures under which assets are held and pledged as security for the bonds of the Authority's Mortgage Revenue Bond Programs. Conversely, unrestricted net assets are those assets for which there are no such limitations.

Net assets of the Authority increased by \$259,274 from December 31, 2007 to December 31, 2008. This increase in net assets can be attributed to the net gain of \$259,274 which is due mainly to realized and unrealized gains in the fair value of securities of \$92,942 and the \$176,811 greater reduction in Long Term Debt Outstanding than the reduction in the balance of Guaranteed Investments Contracts and Investments. Without giving consideration to these increases in the fair value of securities, the Authority experienced a gain of \$166,332 which is a decrease of \$98,920 over the gain of \$265,252 in 2007.

Denham Springs/Livingston Housing and  
Mortgage Finance Authority  
Condensed Statement of Changes in Net Assets  
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Revenues	\$ 1,057,476	\$ 382,570	\$ 674,906
Expenses - Operating	<u>798,202</u>	<u>587,010</u>	<u>211,192</u>
Change in Net Assets	<u>\$ 259,274</u>	<u>\$ (204,440)</u>	<u>\$ 463,714</u>

### Revenue

The Authority's revenues increased by \$674,906 primarily due to a net increase in the fair value of investments which caused net realized and unrealized gains of \$92,942 in 2008 compared to net realized and unrealized losses of \$(469,692) in 2007. Operating expenses increased primarily as a result of a full year of bond interest payments of \$725,138 due to the issuance of the 2007 mortgage revenue bonds in April 2007, an increase of \$193,425 over December 31, 2007.

The Authority's total revenues exclusive of "Net Realized and Unrealized Gains (Losses) on Investments" increased by \$112,272 from 2007 to 2008 primarily caused by adding Mortgage Related Assets as a result of the 2007 Mortgage Revenue Bond Program.

### Debt

The Authority had \$15,118,163 in bonds outstanding at the end of 2008, compared to \$15,790,982 at the end of 2007, as shown in the table below.

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Mortgage Revenue Bonds	<u>\$ 15,118,163</u>	<u>\$ 15,790,982</u>	<u>\$ (672,819)</u>

The decreased debt level resulted from the \$672,819 in retirement of bonds (either by maturity or early redemption) in the 1997, 2000 and 2007 programs from payments and prepayments of mortgage related assets.

The Authority, like most local issuers of tax-exempt bonds, has been affected by the crisis in the financial markets. The Authority's 1997 bond issue was downgraded by Standard and Poor's on March 19, 2009, from 'AAA' to "AA+'. The 1997 issue was downgraded because the Guaranteed Investment Contract for that issue was downgraded. The bond rating for the 2000 and 2007 bond issues continue to carry the Aaa rating for the debt of its Mortgage Revenue Bonds. None of the Authority's programs contain any sub-prime loans.



The Authority has accounts payable and accrued interest payable of \$208,168 outstanding at 2008 year-end compared with \$216,756 at the 2007 year-end. The decrease is due to the reduction of the "Deferred Servicing Release Fees" in connection with the April, 2007, \$14.375 million bond issue from \$143,750 in 2007 to \$139,120 in 2008 and a reduction in Accrued Interest Payable from \$73,006 in 2007 to \$69,048 in 2008 due to a reduction in Bonds Payable.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Authority's appointed officials considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- The potential for the continuation of relatively low conventional mortgage loan interest rates continuing into 2009 for the sixth (6<sup>th</sup>) consecutive year still stimulating early mortgage loans payoffs (as a result of property sales and mortgage loan refinancings) could result in a net decrease in the Authority's mortgage related assets.

## **CONTACTING THE DENHAM SPRINGS / LIVINGSTON HOUSING & MORTGAGE FINANCE AUTHORITY MANAGEMENT**

This Financial report is designed to provide Louisiana's citizens and taxpayers, as well as the Authority's customers and creditors with a general overview of the Denham Springs / Livingston Housing & Mortgage Finance Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Stacy Jones  
Chairman  
P O Box 2281  
Denham Springs, LA. 70727-2281

225-665-5406

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**BALANCE SHEET**

AS OF DECEMBER 31, 2008

**ASSETS**

Cash and Cash Equivalents	\$ 821,115
FNMA Securities	603,645
GNMA Securities	7,110,339
FHLMC Securities	9,873,016
FGIC Capital Market Investment	78,363
Accrued Interest Receivable	79,541
Deferred Financing Costs - Net of Amortization	249,815
Due from Escrow	<u>942,596</u>
Total Assets	<u><u>\$ 19,758,430</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accrued Interest Payable	\$ 69,048
Deferred Servicing Release Fees	139,120
Bonds Payable - Net	<u>15,118,163</u>
Total Liabilities	15,326,331

**Net Assets:**

Restricted for Debt Service	304,068
Unrestricted	<u>4,128,031</u>
Total Net Assets	<u>4,432,099</u>
Total Liabilities and Net Assets	<u><u>\$ 19,758,430</u></u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

**Operating Revenues:**

Interest Earned on Other Investments	\$ 959,904
Commitment Fee Income	4,630
Net Realized and Unrealized Gains (Losses) on Investments	<u>92,942</u>
Total Operating Revenues	1,057,476

**Operating Expenses:**

Interest	725,138
Amortization of Deferred Financing Costs	12,300
Grant	30,000
Administrative Fees	13,538
Operating Expenses	9,426
Professional Fees	<u>7,800</u>
Total Operating Expenses	<u>798,202</u>

Change in Net Assets	259,274
----------------------	---------

Net Assets - Beginning of Year	<u>4,172,825</u>
Net Assets - End of Year	<u><u>\$ 4,432,099</u></u>

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Cash Flows From Operating Activities:**

Cash Receipts for:

Investment Income on Other Investments

\$ 928,467

Cash Payments for:

Interest on Debt

(733,591)

Other Operating Expenses

(60,764)

Net Cash Provided by Operating Activities

134,112

**Cash Flows From Investing Activities:**

Purchase of Investments

(8,209,399)

Proceeds from Maturities, Sales and Paydowns  
of Investments

8,773,626

Net Cash Provided by Investing Activities

564,227

**Cash Flows From Noncapital Financing Activities:**

Bond Redemptions

(643,601) -

Servicing Release Fees

(4,630)

Net Cash Used in Noncapital Financing Activities

(648,231)

**Net Increase in Cash and Cash Equivalents**

50,108

**Cash and Cash Equivalents at Beginning of Year**

771,007

**Cash and Cash Equivalents at End of Year**

\$ 821,115

(CONTINUED)

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2008

**Cash Flows From Operating Activities:**

Operating Income	\$ 259,274
------------------	------------

Adjustments to Reconcile Operating Income to Net

Cash Provided by (Used in) Operating Activities:

Amortization of Deferred Financing Costs	12,300
Net Amortization of Investment Discount (Premium)	24,723
Net Amortization of Bond Discount (Premium)	(29,218)
Net Realized and Unrealized (Gains)	
Losses on Investments	(92,942)

Changes in Assets and Liabilities:

(Increase) Decrease in Accrued Interest Receivable	1,349
(Increase) Decrease in Due from Other Funds	(2,543)
(Increase) Decrease in Other Assets	(37,416)
Increase (Decrease) in Due to Other Funds	2,543
Increase (Decrease) in Accrued Interest Payable	(3,958)

Net Cash Provided by Operating Activities	\$ <u>134,112</u>
---	-------------------

The accompanying notes are an integral part of this statement.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2008

**(1) Summary of Significant Accounting Policies**

**(A) Organization of Authority -**

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended, by a Trust Indenture dated February 12, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

On September 11, 1979, the Authority issued, through underwriters, Single Family Mortgage Revenue Bonds, 1979 Series A, totaling \$35,000,000 to fund the purchase of such mortgage loans. This original issue was governed by a Bond Trust Indenture dated June 1, 1979. On April 1, 1987 the debt was restructured according to the terms of the First Supplemental Trust Indenture. On June 16, 1992, the Authority issued, through underwriters, 1992 Series A, 1992 Series B, and 1992 Series C Bonds totaling \$25,475,000, for the purpose of advance refunding the balance on the original 1979 Series A Bonds. Each 1992 Series Bond issued was governed by individual indentures dated June 1, 1992. On October 31, 2003, the Authority redeemed the 1992 Series A and 1992 Series C Bonds and defeased the 1992 Series B Bonds.

On February 22, 1995, the Authority issued an additional \$10,000,000 of Single Family Mortgage Revenue Bonds Series 1995. The proceeds of these bonds were to be used to finance the purchase of (A) fully modified, mortgage-backed securities guaranteed by the Governmental National Mortgage Association (GNMA) and backed by pools of FHA-insured mortgage loans or VA-guaranteed mortgage loans and (B) single pool, mortgage-backed securities guaranteed by the Federal National Mortgage Association (FNMA) and backed by pools of conventional mortgage loans. As discussed in the following paragraph these bonds were refunded with the proceeds of the issuance of the Series 1997 Bonds.

On January 15, 1997, the Authority issued \$10,000,000 Single Family Mortgage Revenue Refunding Bonds - Series 1997 to refund the Single Family Mortgage Revenue Bonds - Series 1995. The assets securing the Series 1995 bonds including the 1995 GNMA Securities and the 1995 FNMA Securities were transferred to the Trustee on the date the new bonds were issued. Funds securing the 1995 bonds were then made available to finance the purchase of additional securities backed by mortgage loans made to finance the purchase of single-family residences located in the Parish of Livingston, Louisiana to be owned and occupied by low and moderate income families residing in the parish. The Series 1997 Bonds are governed by a separate indenture dated January 15, 1997.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

On June 30, 2000, the Authority issued \$5,010,000 Series 2000A Single Family Mortgage Revenue and Refunding Bonds and \$1,140,000 Series 2000B Single Family Mortgage Revenue Bonds. The Series 2000 Bonds are governed by a separate indenture dated June 1, 2000. \$360,000 of the proceeds of the Series 2000A Bonds were used to refund a like amount of the Series 1997 Bonds. The remaining proceeds of the Series 2000A and all of the proceeds of the Series 2000B will be used to finance the purchase of fully modified mortgage backed securities guaranteed as to timely payment of principal and interest by GNMA and/or Single-pooled, mortgage-backed securities issued and guaranteed by Fannie Mae. In each case the above securities will be backed by pools of qualifying primary residence mortgage loans made by one or more of the participating mortgage lending institutions to qualified persons or families of low and moderate income residing within the stated eligible loan area.

Due to the interest rate environment experienced since the issuance of the Series 2000A and 2000B bonds, in June 2001 the Authority exercised a conversion feature included in the original bond indenture. This conversion feature allowed a portion of the bonds to be converted to Series A-1 and Series B-1 bonds which bear interest at a lower rate than the original issue in order for the mortgage loans to be made at the lower prevailing market interest rates. Therefore, under the conversion feature, \$1,305,000 of the Series 2000A bonds were converted to Series 2000A-1 bonds and \$295,000 of Series 2000B bonds were converted to Series 2000B-1 bonds.

In April 2007, the Authority issued \$14,375,000 of Series 2007 (Go Zone) Single Family Mortgage Revenue Bonds to purchase GNMA, FNMA and/or FHLMC securities backed by and based on the mortgage loans made by certain mortgage lending institutions made in the eligible loan area to finance owner-occupied single family residential immovable property located in Livingston Parish to be owned and occupied by low and moderate income families or persons residing in the eligible loan area. The lending institutions assemble these loans into pools in order to permit GNMA, FNMA, and/or FHLMC securities to be issued and therefore to be purchased by the Authority with proceeds of the Series 2007.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs the Bank of New York Trust Company and Regions Morgan Keegan Trust as its Program Administrators to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for its mortgage purchase bond program. Under its original single family mortgage purchase bond

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. In addition, the Bank of New York Trust Company and Regions Morgan Keegan Trust have been designated as the Trustee of the bond programs and has the fiduciary responsibility for the custody and investment of funds.

Although located within the boundaries of the City of Denham Springs, the City does not significantly influence the operations of the Authority nor is the Authority held accountable to the City of Denham Springs for fiscal matters.

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Based on criteria outlined in Statement No. 14 and Statement No. 39 of the Governmental Accounting Standards Board the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

**(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation -**

**Measurement Focus** - On January 1, 2003, the Authority adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*" and Statement No. 37, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" (an amendment to Statement No. 34). These statements established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets. The Authority has no governmental or fiduciary funds.

**Basis of Accounting** - The Authority uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used.



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

The accounts of the Authority are organized on the basis of individual programs. The programs, which are administered by a trustee bank, provide for a separate set of self-balancing accounts which account for bonds issued, debt service and bond redemption requirements, investments, and related revenues and operating expenses. These individual programs are aggregated in the financial statements to comprise the fund of the Authority.

The Authority's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financial or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Authority's principal operating revenues are the interest and appreciation (depreciation) related to investments and mortgages/mortgage-backed securities.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Authority follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

In accordance with GASB No. 31, investments are recorded at fair value. Fluctuations in the fair value of investments are recorded as gains (losses) in the Statements of Revenues, Expenses and Changes in Net Assets.

**Amortization**

Bond issuance costs, including the underwriters' discount on the sale of the bonds and the restructuring expenses, are amortized ratably over the life of the bonds based upon the principal amounts outstanding.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

**(2) Bonds Payable -**

The outstanding bonds payable at December 31, 2008 consist of the following:

1997 Series Single Family Mortgage Revenue Refunding Bonds	
Maturing Serially through February 1, 2012 with Interest	
Rate of 6.20% Payable Semiannually	\$ 385,000
2000 Series A and A-1, Single Family Mortgage Revenue and Refunding	
Bonds Maturing Serially through April 1, 2009, with Interest at 7.17%	
Payable Monthly	203,252
Add: Unamortized Bond Premium	<u>14,108</u>
Total 2000 Series	217,360
2007 Series (Go Zone) Single Family Mortgage Revenue Bonds	
Maturing Serially through November 1, 2040, with Interest at	
5.00% Payable Monthly	13,912,021
Add: Unamortized Bond Premium	<u>603,782</u>
Total 2007 Series	<u>14,515,803</u>
Total Bonds Payable	<u>\$15,118,163</u>

The Series 2000 A and A-1 are structured such that the monthly remittances from the mortgage loans and FNMA investment in mortgage-backed securities will be passed on to bondholders as monthly principal and interest redemptions of bonds payable.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

A schedule of Changes in Long-Term Debt for the year 2008 is as follows:

	<u>1997 Series</u>	<u>2000 Series A</u>	<u>2007 Series</u>	<u>Totals</u>
Balances at January 1, 2008	\$ 435,000	\$ 357,107	\$14,998,875	\$15,790,982
Additions:				
Valued at Par	-	-	-	-
Premium	-	-	-	-
Deletions:				
Cash Payments	(50,000)	(130,622)	(462,979)	(643,601)
Amortization of Premium	-	(9,125)	(20,093)	(29,218)
Balances at December 31, 2008	<u>\$ 385,000</u>	<u>\$ 217,360</u>	<u>\$14,515,803</u>	<u>\$15,118,163</u>

Debt Service requirements to maturity, including interest requirements, are as follows:

	<u>1997 Series</u>	<u>2000 Series A</u>	<u>2007 Series</u>	<u>Totals</u>
2009	\$ 241,599	\$ 217,825	\$ 7,797,328	\$ 8,256,752
2010	155,000	-	3,710,907	3,865,907
2011	-	-	1,766,096	1,766,096
2012	-	-	840,521	840,521
2013	-	-	400,021	400,021
2014 - 2018	-	-	354,392	354,392
2019 - Thereafter	-	-	8,869	8,869
Add (Less) Unamortized Premium	-	14,108	603,782	617,890
Total Bond Principal and Interest	396,599	231,933	15,481,916	16,110,448
Less: Portion Representing Interest	<u>(11,599)</u>	<u>(14,573)</u>	<u>(966,113)</u>	<u>(992,285)</u>
Total Principal Outstanding at December 31, 2008	<u>\$ 385,000</u>	<u>\$ 217,360</u>	<u>\$14,515,803</u>	<u>\$15,118,163</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

Computation of annual principal redemptions for Series 2000 A and for Series 2007 are determined by applying the 0% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

**(3) Cash and Investments -**

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2008, were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds.

The Authority's investments at December 31, 2008 are recorded at market value as summarized below:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
FNMA Mortgaged Backed Securities	\$ 600,022	\$ 603,645	\$ 3,623
GNMA Mortgage Backed Loan Pool	\$ 7,246,781	\$ 7,110,339	\$ (136,442)
FHLMC Mortgage Backed Securities	\$10,099,467	\$ 9,873,016	\$ (226,451)
FGIC Capital Market Investment	\$ 78,363	\$ 78,363	\$ -

The FNMA mortgaged backed securities are restricted for debt service on the program's bonds and payment of various program expenses. These securities are held by the Trustee bank in the Trustee's name and are pledged to secure the Authority's investments.

The FGIC Capital Market Investment, as authorized by the Series 1997 Bond Indenture Bond Indenture, is restricted to pay debt service requirements and provide funds for future mortgage loan backed pools.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balance are as follows: realized gains of \$-0-, realized losses of \$(4,635) and the net change in unrealized gains (losses) at December 31, 2008 as compared to December 31, 2007 of \$97,577.

As of December 31, 2008, the Authority's investments had the following maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
U.S. Agencies	\$17,946,270	\$17,587,000	\$ -	\$ 9,760	\$ 136,841	\$17,440,399
Guaranteed Investment Contracts	<u>78,363</u>	<u>78,363</u>	<u>78,363</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$18,024,633</u>	<u>\$17,665,363</u>	<u>\$ 78,363</u>	<u>\$ 9,760</u>	<u>\$ 136,841</u>	<u>\$17,440,399</u>

**Interest Rate Risk.** Investments of the Authority's various bond programs are limited to those authorized in the various bond indentures. The Authority does not have a formal investment policy for its residual agency fund that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. However, as a means of limiting its exposure to fair value changes arising from fluctuations in interest rates, the Authority does attempt to ladder the maturities of its investments. The Authority typically buys and holds its investments until maturity or until called. Investments of the residual fund are based on recommendations of the Program Administrators to the members of the Board of Trustees.

**Credit Risk.** The Authority limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2008, the Authority held no investments in commercial paper or corporate bonds. The Authority's investments in U.S. Agencies carry the explicit guarantee of the U.S. government. The Authority's investments in guaranteed investment contracts are not rated.

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2008, none of the Authority's bank balance of \$821,115 was exposed to custodial credit risk because it was either completely covered by FDIC insurance or was invested in U.S. treasury money market funds.

**Concentration of Credit Risk.** The Authority places no limit on the amount the Authority may invest in any one issuer. More than 5% of the Authority's investments are in FNMAs, GNMAs, FHLMCs and guaranteed investment contracts.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2008

**(4) Compensation Paid Board Members -**

Richard Waldrep	\$ 100
J.W. Day	100
Gerald Hughes	75
Stacy Jones, Chairman	100
Neil Juneau	-
Joan Landry	<u>50</u>
	<u>\$ 425</u>

**(5) Prior Year's Defeasance of Debt -**

On June 16, 1992, the Authority applied proceeds from sales of investments of the 1979 Series A Bond issue and proceeds from issuance of 1992 Series A and 1992 Series B Bond issues to advance refund the outstanding portion of the 1979 Series A Bonds. The Authority placed sufficient proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the Authority's financial statements. At December 31, 2008, the balance of the defeased portion of the bonds is \$17,910,000.

On October 31, 2003, the Authority completed a redemption of the outstanding balances of the Series 1992 Class A-1 and Series 1992 Class C Bonds. The Class A Bonds were refunded at par and the total balance redeemed was \$282,543. The Class C Bonds were redeemed with a call premium of 2%. The total balance refunded of these bonds was \$2,593,207 plus the call premium of \$51,864.

In addition, on that same date, the Authority also completed a defeasance of the outstanding balance of the Class B-2 Bonds. Since these bonds are not callable until 2014, the Authority placed \$181,962 of funds in an irrevocable trust with an escrow agent to provide for all future debt payments on these bonds. As a result, these bonds are considered to be defeased and, accordingly, the liability for these bonds has been removed from these financial statements. At December 31, 2008, the par balance of the defeased portion of the bonds is \$300,000.

## SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY PROGRAM**

AS OF DECEMBER 31, 2008

	<u>1997 Series</u>	<u>2000 Series</u>	<u>2007 Series</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1	\$ 60,380	\$ 229,126
FNMA Securities	106,921	-	-
GNMA Securities	597,387	292,157	5,846,733
FHLMC Securities	-	-	8,284,335
FGIC Capital Market Investment	78,363	-	-
Due from Other Funds	-	-	-
Accrued Interest Receivable	5,498	1,583	60,526
Deferred Financing Costs - Net of Amortization	12,160	4,583	233,072
Due from Escrow	-	-	-
Total Assets	<u>\$ 800,330</u>	<u>\$ 358,703</u>	<u>\$ 14,653,792</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>Liabilities:</b>			
Due to Other Funds	\$ 241,524	\$ -	\$ -
Accrued Interest Payable	9,942	1,139	57,967
Deferred Servicing Release Fees	-	-	139,120
Bonds Payable - Net	<u>385,000</u>	<u>217,360</u>	<u>14,515,803</u>
Total Liabilities	636,466	218,499	14,712,890
<b>Net Assets:</b>			
Restricted for Debt Service	163,864	140,204	-
Unrestricted	<u>-</u>	<u>-</u>	<u>(59,098)</u>
Total Net Assets	<u>163,864</u>	<u>140,204</u>	<u>(59,098)</u>
Total Liabilities and Net Assets	<u>\$ 800,330</u>	<u>\$ 358,703</u>	<u>\$ 14,653,792</u>

Schedule 1

<u>Residual</u> <u>Fund</u>	<u>Elimination</u> <u>Adjustment</u>	<u>Total</u>
\$ 531,608	\$ -	\$ 821,115
496,724	-	603,645
374,062	-	7,110,339
1,588,681	-	9,873,016
-	-	78,363
241,524	(241,524)	-
11,934	-	79,541
-	-	249,815
942,596	-	942,596
<u>\$ 4,187,129</u>	<u>\$ (241,524)</u>	<u>\$ 19,758,430</u>
\$ -	\$ (241,524)	\$ -
-	-	69,048
-	-	139,120
-	-	15,118,163
<u>-</u>	<u>(241,524)</u>	<u>15,326,331</u>
-	-	304,068
<u>4,187,129</u>	<u>-</u>	<u>4,128,031</u>
<u>4,187,129</u>	<u>-</u>	<u>4,432,099</u>
<u>\$ 4,187,129</u>	<u>\$ (241,524)</u>	<u>\$ 19,758,430</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS BY PROGRAM**

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>1997 Series</u>	<u>2000 Series</u>
<b>Operating Revenues:</b>		
Interest Earned on Other Investments	\$ 50,611	\$ 22,486
Commitment Fee Income	-	-
Net Realized and Unrealized Gains (Losses) on Investments	<u>91</u>	<u>(4,474)</u>
Total Operating Revenues	50,702	18,012
<b>Operating Expenses:</b>		
Interest	27,136	7,989
Amortization of Deferred Financing Costs	1,579	2,965
Grant	-	-
Administrative Fees	1,875	135
Operating Expenses	520	-
Professional Fees	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>31,110</u>	<u>11,089</u>
Change in Net Assets	19,592	6,923
Net Assets - Beginning of Year	<u>144,272</u>	<u>133,281</u>
Net Assets - End of Year	<u>\$ 163,864</u>	<u>\$ 140,204</u>

Schedule 2

<u>2007 Series</u>	<u>Residual Fund</u>	<u>Total</u>
\$ 713,584	\$ 173,223	\$ 959,904
4,630	-	4,630
<u>49,977</u>	<u>47,348</u>	<u>92,942</u>
768,191	220,571	1,057,476
690,013	-	725,138
7,756	-	12,300
-	30,000	30,000
4,528	7,000	13,538
5,863	3,043	9,426
<u>-</u>	<u>7,800</u>	<u>7,800</u>
<u>708,160</u>	<u>47,843</u>	<u>798,202</u>
60,031	172,728	259,274
<u>(119,129)</u>	<u>4,014,401</u>	<u>4,172,825</u>
\$ <u>(59,098)</u>	\$ <u>4,187,129</u>	\$ <u>4,432,099</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**SCHEDULE OF CASH FLOWS BY PROGRAM**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>1997 Series</u>	<u>2000 Series</u>
<b>Cash Receipts for:</b>		
Investment Income on Investments and Commitment Fees	\$ 52,910	\$ 23,210
<b>Cash Payments for:</b>		
Interest on Debt	(28,427)	(17,852)
Other Operating Expenses	<u>(2,395)</u>	<u>(135)</u>
Net Cash Provided by Operating Activities	22,088	5,223
<b>Cash Flows From Investing Activities:</b>		
Purchase of Investments	(27,793)	-
Proceeds from Maturities, Sales and Paydowns of Investments	<u>27,662</u>	<u>125,283</u>
Net Cash Provided by (Used in) Investing Activities	(131)	125,283
<b>Cash Flows From Noncapital Financing Activities:</b>		
Bond Redemptions	(50,000)	(130,622)
Servicing Release Fees	<u>-</u>	<u>-</u>
Net Cash Used in NonCapital Financing Activities	<u>(50,000)</u>	<u>(130,622)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(28,043)	(116)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>28,044</u>	<u>60,496</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1</u></u>	<u><u>\$ 60,380</u></u>

(CONTINUED)

Schedule 3

<u>2007</u> <u>Series</u>	<u>Residual</u> <u>Fund</u>	<u>Total</u>
\$ 719,049	\$ 133,298	\$ 928,467
(687,312)	-	(733,591)
<u>(10,391)</u>	<u>(47,843)</u>	<u>(60,764)</u>
21,346	85,455	134,112
(7,834,178)	(347,428)	(8,209,399)
<u>8,445,831</u>	<u>174,850</u>	<u>8,773,626</u>
611,653	(172,578)	564,227
(462,979)	-	(643,601)
<u>(4,630)</u>	<u>-</u>	<u>(4,630)</u>
<u>(467,609)</u>	<u>-</u>	<u>(648,231)</u>
165,390	(87,123)	50,108
<u>63,736</u>	<u>618,731</u>	<u>771,007</u>
<u>\$ 229,126</u>	<u>\$ 531,608</u>	<u>\$ 821,115</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**SCHEDULE OF CASH FLOWS BY PROGRAM (CONTINUED)**

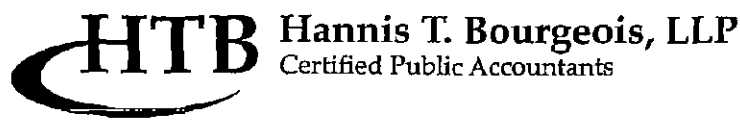
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>1997 Series</u>	<u>2000 Series</u>
<b>Cash Flows From Operating Activities:</b>		
Operating Income	\$ 19,592	\$ 6,923
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used In) Operating Activities:		
Amortization of Deferred Financing Costs	1,579	2,965
Net Amortization of Investment Discount (Premium)	-	-
Net Amortization of Bond Discount (Premium)	-	(9,125)
Net Realized and Unrealized (Gains) Losses on Investments	(91)	4,474
Changes in Assets and Liabilities:		
(Increase) Decrease in Accrued Interest Receivable	(244)	724
(Increase) Decrease in Due from Other Funds	-	-
(Increase) Decrease in Other Assets	-	-
Increase (Decrease) in Due to Other Funds	2,543	-
Increase (Decrease) in Accrued Interest Payable	(1,291)	(738)
Net Cash Provided by Operating Activities	<u>\$ 22,088</u>	<u>\$ 5,223</u>

Schedule 3  
(Continued)

<u>2007 Series</u>	<u>Residual Fund</u>	<u>Total</u>
\$ 60,031	\$ 172,728	\$ 259,274
7,756	-	12,300
24,723	-	24,723
(20,093)	-	(29,218)
(49,977)	(47,348)	(92,942)
835	34	1,349
-	(2,543)	(2,543)
-	(37,416)	(37,416)
-	-	2,543
(1,929)	-	(3,958)
<u>\$ 21,346</u>	<u>\$ 85,455</u>	<u>\$ 134,112</u>





2322 Tremont Drive • Baton Rouge, LA 70809  
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726  
Phone: 225.928.4770 • Fax: 225.926.0945  
www.htbcpa.com

May 19, 2009

To the Board of Directors  
Denham Springs/Livingston Housing and  
Mortgage Finance Authority

We have audited the financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that would be required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Harris J. Bougeais, CPA*